

**EMPLOYERS: ARE YOUR  
TAXES TOO HIGH?  
TRY THIS!**

**BIG**

**Business Incentives Group, LLC**

*Maximizing Economic Incentives*

**What would you do** if you discovered that for as many years as you have been in business and hiring people, you've been overpaying income taxes?

“You'd find out what you've been doing wrong or missing. And you'd make sure you never make the mistake again!” says Economic Incentives Consultant Jeff Shick who works with businesses to collect new hire tax credits and other government incentives. Business owners' personal income taxes from all sources are up more than 30% from last year—and C corporations' earnings are taxed at the top bracket with dividends taxed twice!

In past years, you may not have felt under siege, but the game has changed. Regardless of any previous reasons for not claiming or maximizing new hire income tax credits, it is time you changed. After all, if it's good enough for Walmart to claim, shouldn't it be good enough for your business, too?

## **WOTC: WHAT IS IT?**

The Work Opportunity Tax Credit (WOTC) is an incentive for employers to hire from targeted groups identified as the most difficult to employ.

Businesses can choose to selectively hire from one target group or from all

targeted groups. The groups are composed of Veterans, the disabled and those supporting a disabled family member who receives SSI, individuals receiving SNAP (food stamps) or TANF (welfare), and those receiving vocational rehabilitation, to name a few. The program's intent is that employing these demographics lessens reliance on government assistance. Of course, the public relations benefits for companies who hire from targeted groups are self-evident.

## **WOTC: WHAT'S IN IT FOR YOU?**

WOTC's value ranges from \$1,200 to a maximum of \$9,600 per eligible new hire and have been available for more than 40 continuous years. There are 14 target groups of prospective employees eligible for these credits, and when hiring from multiple groups, qualifying for even one credit is easy and worth thousands of dollars.

Hire 100 qualifying employees per year and recover tens of thousands to more than one hundred thousand dollars from your income taxes. If you hire 500 people per year, you will see hundreds of thousands returned to you. Hire 1,000 employees or more and the program is worth millions.

Can't use all those credits in one year? No problem. Unused credits are applied to the prior year's taxes and become refunds for you. Still not

enough paid taxes to use up all those credits? You're still OK as you can carry the credits forward up to twenty years.

## WOTC: WHICH EMPLOYEES QUALIFY

U. S. Census data shows approximately one out of six people qualify for means- tested federal or state aid. When your business hires one of these individuals, you qualify for WOTC credits.

**Now, let's look beyond the dollars and statistics these employees represent on paper and into *who* these 20 percent of Americans really are.**

There are NINE WOTC target groups. Let's look at them in five subsets.

### I. VETERANS

Veterans and active military spouses deserve first class, front of the line status for job openings. US veterans have high unemployment rates compared to the base population and those under age 25 face unemployment of more than 20%. Further, many veterans require public assistance during and after separation from service due to personal or

spousal unemployment. Others have service connected disabilities that make finding employment even harder.

Because of these realities, WOTC has six groups targeting veterans and active military spouses:

<b>Veteran working at Non-Profit</b>	<b>\$1,200</b>
<b>Veteran on SNAP (Food Stamps)</b>	<b>\$2,400</b>
<b>Veteran Unemployed More than 4 Weeks</b>	<b>\$2,400</b>
<b>Veteran Unemployed More than 6 Months</b>	<b>\$5,600</b>
<b>Veteran Disabled within 1 Year of Separation</b>	<b>\$4,800</b>
<b>Veteran Disabled and Unemployed More than 6 Months</b>	<b>\$9,600</b>

## II. ZONE CREDITS

The most valuable in the WOTC program, zone credits were designed to offer opportunity to people living in blighted areas to help them live without public assistance. Zone credits are the most valuable in the WOTC program, however they are just icing on a cake of the total financial assistance picture available to businesses willing to both locate in and hire from the talent pool residing inside the zone.

Under the WOTC umbrella, zones have two credit possibilities. First, is the **Designated Community Resident** credit, which applies to employees living in **Empowerment Zones**. These zones are federal designations for

communities with high unemployment and poverty rates. They are the most valuable of all federal WOTC credits as they can be recovered three years in arrears and renew annually.

All other WOTC categories are one-time events where if you miss the filing deadline, the credit opportunity is lost. Zone resident credits are worth up to \$3,000 yearly per eligible employee. **Summer Youth credits** are also available inside Designated Communities and are awarded for hiring teenagers ages 16 and 17 who live and work in Empowerment Zones. This credit can be claimed once and is worth up to \$1,200 for a summer employment period of May through September.

### III. THE DISABLED

Regardless of cause, disability strikes far too many American workers. Without businesses being willing to provide opportunity, too many able workers will not find employment despite being willing to work. An employee with a disabled spouse or child within their household receiving SSI benefits for any month ending in the past 60 days, is a credit-eligible employee. Another credit-eligible disability category is for those people going through vocational rehabilitation.

## IV. INDIVIDUALS ON PUBLIC ASSISTANCE... Who seek financial independence

My father taught me that an abundance of money does not buy happiness. He also said that a lack of money *can* buy misery.

One in six Americans receive paychecks that are insufficient to meet their needs. To be eligible for SNAP (food stamps) or TANF (welfare), one typically forgoes many conveniences the rest of us take for granted. We have all heard examples of people who “game” the system for gain, but I believe those are a small percentage of those in need. Work creates independence, self-sufficiency and self-respect. Being able to have gainful employment lifts the spirit and creates a contributor to the Gross National Product.

## V. EX-FELONS

Sometimes, affording someone a chance can benefit all parties involved. Many ex-felons are well trained in valuable skills... and willing to learn another. How many of us have made bad choices? All that separates some of us from a person rehabilitating their life is not getting caught. Once released from prison, regardless of intention, finding work can be sole-crushing to a person who is truly ready to turn their life around. Anyone who has paid their debt to society and wants to join the rest of us by working hard in the pursuit of happiness should have that opportunity. Realistically, there are challenges with this target group. But they can be well suited in some capacities for certain enterprises.

## Other WOTC Target Groups and Maximum Credit Values

Designated Community Residents	\$3,000
Summer Youth (in zones only)	\$1,200
Social Security Disability	\$2,400
Ex-Felon	\$2,400
Vocational Rehabilitation	\$2,400
SNAP (Food Stamps)	\$2,400
TANF (Welfare) Short-Term	\$2,400
TANF (Welfare) Long-Term	\$9,000

## WOTC: PROGRAMS POLITICAL HISTORY

WOTC and its predecessor, the Targeted Jobs Tax Credit (TJTC), have been renewed (including lapses and reinstatements retroactive to the lapse date) twenty times over the last thirty-six years. The most recent lapse in reinstatement was in 2012 as congress struggled with the realities of the fiscal cliff. Congress renewed the program at the last minute, retroactive to Jan 1 2012 through Dec 31<sup>st</sup> 2013. It was one of few bipartisan agreements on *anything* in 2012.



## **WOTC: PRESENT AND FUTURE**

Currently, WOTC is in a lapse status as of January 1, 2014. Renewal is waiting in the House Ways and Means Committee but the Senate Finance Committee has put forward the Tax Extenders Bill which includes a two year extension of WOTC.

Both Houses have put forward over twenty bills that renew or make WOTC permanent. Many of the bills create new categories of eligible persons and expand definitions to broaden the program's outreach. Four bills propose a new Long-Term Unemployed Target Group, allotting \$2,500 to \$10,000 as the benefit, depending on the bill.

In sum: WOTC will renew with additional categories and expanded benefits, just as it has in the past. Our current Veteran friendly political climate makes it very difficult for reelection candidates to vote against anything benefitting Veterans. WOTC helped more than 600,000 people transition away from food stamps in 2012, saving the government more in food stamp benefits than the tax credit cost in lost tax revenue. Voting against programs with proven positive results that result in reduced reliance on public assistance is counterintuitive and unlikely for politicians seeking reelection.

## **WOTC: DEPARTMENT OF LABOR RECOMMENDATIONS**

Regardless of the current lapse in WOTC, US Department of Labor's advice to employers on processing is the same as it has been every year there was

a lapse: **continue processing new employees to the State Workforce Agency (S.W.A.)** When reinstated, all credits processed during the lapse will be eligible to certify and redeem. **Employees who are eligible for a credit but not processed during the lapse period will lose eligibility.** The key here is that you must file origination paperwork (IRS Form 8850 & DOL ETA 9061) with your S.W.A. within 28 days of the first day of work for the eligible employee. After 28 calendar days, the credit is lost. No exceptions.

**If you hire employees, it is worth thousands to millions of dollars *yearly* to look into processing these credits.**

Even if you hire a small number of people annually, you can process this credit yourself! It's worth thousands of dollars to invest some time and learn how to collect these credits. To get started, visit us at the [Business Incentives Group website](#) to view a few 3-minute videos that will completely explain the program and how it works.

**On our website, you can view videos that answer all of your questions about WOTC. After the videos, there are PDFs of all required filing documents for download and links to relevant government agencies.**

**Our videos are designed to simplify and expedite program comprehension of WOTC and allow you to independently verify all presented material.**

If you're hiring one hundred employees or more per year, you will need professional assistance to successfully recover the maximum credits available to you at the highest possible value. With more than 7 years of experience in WOTC processing, we can help.

**So, are you ready to reduce your income tax bill now, or some other time?**

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